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ABSTRACT

In light of significant restructuring in New Jersey higher education and shrinking public funds, this project comprehensively examined New Jersey's system of financial aid. It was conducted through the compilation and assessment of program data as well as through interviews with several individuals in the New Jersey higher education community. The project looked at the system as it is currently functioning, at state appropriations, and at the population served. Some key findings include: (1) New Jersey concentrates most of its financial assistance in the form of grants with 75 percent appropriated to the Tuition Aid Grant program (TAG); (2) the state's commitment to grant aid has placed it at the top of national rankings for aid awarded to undergraduates; (3) for needy students, TAG awards have significantly reduced the cost of attendance at New Jersey colleges and universities; and (4) TAG grants have softened the impact of recent years' tuition hikes at state colleges and universities. A final section presents policy options including establishing clear and definitive priorities for state student aid programs, consolidating and streamlining the "merit-based" programs, establishing mechanisms for measuring and demonstrating the success of aid programs, improving student aid funding and delivery stability, and continuing to assess the purpose and need for a state supplemental loan program. (JB)

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Student Aid in New Jersey

A Successful Past, An Uncertain Future

Prepared for
New Jersey State College
Governing Boards Association, Inc.

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EXECUTIVE SUMMARY

While higher education in New Jersey has undergone significant restructuring in recent years, the state's system of student aid has not seen significant change in more than a decade. As the scarcity of resources forces governments to operate more efficiently, the time has arrived to examine financial aid in New Jersey, to determine goals for the system, and to evaluate the options available to meet those goals.

The following report describes the student aid system in New Jersey as it currently functions and reveals the major findings of a comprehensive examination of the system--conducted through the compilation and assessment of program data as well as through interviews with several individuals in the New Jersey higher education community. The key findings include:

- **New Jersey concentrates most of its financial assistance in the form of grants --the most effective form of student aid.** More than three-fourths of New Jersey's financial resources for student assistance are appropriated to the Tuition Aid Grant (TAG) program, which awards grants to students based on financial need for use at New Jersey public and independent institutions. Research indicates that grant aid--more than loans--lowers the dropout rate for low-income students, helping them to stay in college and obtain their degree.

- **New Jersey's commitment to grant aid has placed it at the top of national rankings.** Because of its grant programs, New Jersey ranks at the top nationally in terms of the amount of aid awarded to undergraduates--along with states like Pennsylvania and New York. In 1993-94, the state was second in the amount of need-based aid to undergraduates per full-time undergraduate enrollment and in the top five in the nation in other key categories. New Jersey has ranked in the top seven in the country in each of these categories in the last five years, topping the list more than once.

- **For students with financial need, TAG awards have significantly reduced the cost of attendance at New Jersey colleges and universities.** In 1994-95, the average TAG award covered between 64 and 73 percent of the average cost of tuition at public institutions and about 33 percent of the average tuition at independent institutions. For the state's neediest students, the maximum TAG award reduced the average cost of tuition by 92 to 99 percent at public institutions and by 48 percent for students at independent institutions. New Jersey law states that TAG awards cannot exceed the cost of tuition at public colleges and universities or half the average tuition at independent institutions.

- **The growth in tuition rates at New Jersey colleges and universities surpassed inflation, but state TAG grants softened the impact of the tuition hikes.** From 1989-90 to 1994-95, tuition at New Jersey institutions rose by 38-55 percent, depending on the sector. This growth surpassed the state's 21 percent inflation rate over the same time period. The average amount of individual TAG awards rose by 37 percent.

- **Although college borrowing has increased dramatically in New Jersey, the state's strong grant programs have curtailed additional growth.** New Jersey's rate of college borrowing has skyrocketed in recent years, growing from $202 million in FY 1990 to $346 million in FY 1994--a 71 percent jump. The state's increase in borrowing might have been higher if New Jersey's own state financial aid programs were not so strong. Of the largest loan guarantee agencies in the country, New Jersey's rate of increase in borrowing ranked sixth from the bottom, slightly below California and New York, and well below states such as Massachusetts, Ohio, and Michigan.

- **Funding for student aid in New Jersey has increased substantially over the last several years and at a faster rate than federal student aid funding.** Since 1989-90, the dollars appropriated for the state's main financial aid programs have grown by 72 percent overall, while funds for need-based state grant programs have increased by 77 percent. Funding for federal student aid has grown by 70 percent during this time, but dollars for federal grants have increased by only 19 percent.

- **Predicting the number of students eligible for TAG continues to be difficult.** Every year, the Student Assistance Board (SAB) establishes the TAG table of award values for the next academic year, using the amount appropriated for the program, a projection of the number of eligible students, and an estimation of their financial need based on cost of attendance. The liberal deadlines for applications to the TAG program--through March 1 of the following year for Spring awards--changing enrollment patterns among the sectors, variations in student attendance and attendance status, and changes in the reporting of federal data to the state have made these variables more difficult to predict.

- **The budgetary outlook for student assistance in New Jersey remains uncertain.** Over the past several years, the amount originally appropriated for student aid programs has not reflected the amount actually spent, because additional funds have been "carried over" and applied to spending in the next year. Continual use of these funds has created a pattern of spending different from the amount appropriated for the program, so that in years when carryforward funds might not be available--as might be the case in FY 1997--a large structural deficit exists. For FY 1997, that deficit--the difference between the amount appropriated in FY 1996 and the actual amount expected to be spent--might be several million dollars. In other words, several million dollars more than the FY 1996 appropriation figure will be necessary to continue the TAG program at its present level.

Overall, these findings demonstrate that New Jersey currently operates one of the most successful state student aid systems in the country. Yet, the structural deficit left in FY 1997 in the TAG program--and the potential for other deficits in future years--might present New

Jersey higher education with one of its greatest challenges: how to maintain its nationally-renowned grant program in times of severe fiscal constraint. As the state and its higher education institutions confront the budgetary uncertainty of FY 1997 and future years, they must examine the available options and select those that will best serve New Jersey and its people in both the next year and for the long-term.

This report does not recommend specific policy action, but offers several policy options that might be explored to help the state achieve its goals regarding student aid. The options include:

Establish clear and definitive priorities for state student aid programs.
Revamp the TAG award structure to "guarantee" support for the state's neediest students. The Office of Student Assistance should evaluate the formula for calculating student aid eligibility and propose any necessary changes in the current structure to the SAB. After reassessment of the NJEI (New Jersey Eligibility Index) and the TAG table, the Office of Student Assistance should construct a new TAG table for approval by the SAB. Under this new table, the first row of grant recipients--those with the lowest NJEI--would be awarded maximum TAG grants equal to the average cost of attendance at a four-year public institution, minus the maximum Pell Grant.[1] These awards would be limited by the actual cost of attendance at the student's institution. Instituting this new award structure with the current TAG table--assuming that the first row of the TAG table would be considered the very neediest students--would translate to higher grants for the state's neediest students in all sectors, but would also incur higher costs for the state. In order to continue to offer grants to all or most of the rows on the TAG table, the definition of the "neediest" students--who currently represent about half of all TAG recipients--must be more clearly outlined in the table.

Maintain awards for the other students qualifying for the TAG program, but at a modestly reduced level. Increasing the awards for the neediest students would lower TAG awards for the other recipients. Continuing to award these other students TAG awards would represent a commitment on the part of the state to assist them with the cost of their education, but not to subsidize the cost completely. Continuing to make available grants for these students would maintain the state's commitment to them and their families. At the same time, offering this assistance in the form of grants would offset the need to finance their education through loans. Demonstrating a commitment toward middle-income students and families and reducing student indebtedness are in the best interest of New Jersey in the long-term.

Consolidate and streamline the "merit-based" programs.
Consolidate the three merit-based programs into one program. Consolidating the Bloustein Distinguished Scholars, the Garden State Scholars, and the Urban Scholars programs into one

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[1] In 1994-95, the average cost of attendance (tuition, fees, room, and board) at a four-year public institution in New Jersey was approximately $8,700. The maximum Pell Grant award in 1994-95 was $2,300. Thus, the TAG "guarantee" for the state's neediest students in 1994-95 would have been $6,400.

program--without reducing the overall amount appropriated for the programs--would streamline the merit-based portion of the state grant system and simplify the administration of these programs.

Offer a smaller number of grants at higher levels. If the award levels were raised, these awards would become a more effective incentive for keeping New Jersey's best and brightest in the state. Since budgetary constraints prevent the significant addition of funds to these programs--without cutting funds for need-based aid--the number of awards could be reduced to compensate for the growth in award levels.

Create a bonus grant program for the neediest students as part of the TAG or EOF program. In addition to rewarding academic achievement during high school with a merit scholarship, New Jersey also could reward and promote success during college. Beginning with its neediest students, the state could create a bonus grant program that awarded grants of $500--over and above their TAG awards and other aid, but not exceeding their cost of attendance--for students meeting established academic criteria each year.

Establish mechanisms for measuring and demonstrating the success of state student aid programs.

Organize a group of college and university officials and public citizens to promote higher education and student aid programs on a continual basis. The higher education restructuring in New Jersey aimed to improve advocacy for higher education at the state level through the Commission on Higher Education. With the Commission coordinating statewide efforts and the Office of Student Assistance providing technical expertise, state higher education officials might work more with campus administrators and faculty to communicate vital statistics about the importance of higher education in New Jersey, conduct specific research projects, and use public service announcements on radio and television to further public knowledge and understanding of student aid programs.

Develop mechanisms for defining and measuring success in student aid programs. New Jersey should clarify its definition of success in its student aid programs and instill mechanisms that accurately measure this definition. With clearly defined measures of success, the TAG and the EOF programs could report on their progress on a constant basis.

Improve the stability of student aid funding and delivery in New Jersey. The Office of Student Assistance should be provided with the additional tools necessary to increase the accuracy of projecting the number of eligible TAG recipients and the subsequent cost of the program. In addition to instituting new deadlines for renewal students in the program--which has already been done--the deadlines for new students could be moved to an earlier date or a priority deadline and a final deadline for applications to the program could be established.

Continue to assess the purpose and need for a state supplemental loan program in New Jersey. Since its inception in 1991-92, annual borrowing in the NJCLASS program has declined from a high of $17.6 million to steady annual borrowing of approximately $11 million. Despite

this decline in participation levels, the program continues to serve the financial needs of middle-income students as well as to many students attending out-of-state institutions--at little cost to the state. New Jersey might explore ways to utilize bond authority in other programs to assist state students without jeopardizing funds for other programs.

INTRODUCTION

While higher education in New Jersey has undergone restructuring in recent years, the state's student aid system has not seen significant change in more than a decade. As policies at the state and federal level dictate that governments operate more efficiently and with fewer resources, the time has arrived to examine financial aid in New Jersey, to determine goals for the system, and to evaluate the options available to best meet those goals.

Governments at every level are identifying priorities for their citizens and allocating their resources accordingly. While funding for student aid has proven to be a state priority for New Jersey in the past, that status cannot be taken for granted. The financial aid programs must show their value to New Jersey and adjust to meet the state's needs both today and in the future. An in-depth evaluation of financial aid at this time is therefore crucial and timely.

The following report describes the student aid system in New Jersey as it currently functions, including data on state appropriations and the population served by the programs. An examination of the student aid system, involving the compilation and assessment of program data, as well as informal interviews with several individuals in the New Jersey higher education community, produced several major findings which the second section of the report outlines. The last section presents policy options regarding higher education and student aid. The future of financial aid in New Jersey depends on the ability of the system to meet the needs of the state; yet the state's future hinges on its investment in itself, including student aid.

THE CONTEXT FOR CHANGE

As one of the most densely populated and economically vibrant states in the country, New Jersey has much of which to be proud. The state boasts the third highest income per capita and the ninth largest population in the United States. New Jersey's 7.9 million people comprise one of its most valuable resources and utilizing this precious resource will maintain and improve the state's economic and social well-being.

Like that of the rest of the country, New Jersey's population varies by ethnicity, age, and educational background. Forty-one percent of New Jersey residents fall between the ages of 18 and 44, while 24 percent are under age 18, and 34 percent are over the age of 44. About 79 percent of New Jersey residents are white, 13 percent are black, four percent are Asian, and four percent are unknown. Ten percent of state residents are Hispanic (may be of any race). As of 1995, 46 percent of New Jersey's adult population has attained some level of a college education, with 25 percent of adults having earned a bachelor's degree.[2]

From 1980 to 1990, New Jersey's population grew by five percent, from about 7.4 million to 7.7 million, with most of the growth occurring among minorities. The black population grew by nine percent, the Hispanic population increased by 50 percent, and the "other races" group (Asian, Pacific Islander, American Indian, Eskimo, and Aleutian) grew by 105 percent. In contrast, the white population decreased by two percent.

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[2] *The Chronicle of Higher Education Almanac Issue*, 1995.

By 2005, New Jersey's population is projected to reach 8.3 million--an eight percent increase from 1990. With a projected increase of 134 percent, the minority group known as the "other races" group will comprise the fastest growing segment of the population. The black population will expand by 15 percent during this time period. The white population is expected to grow by one percent, thus declining as a percentage of the total population.[3]

Projections for New Jersey's economic growth indicate that a college-educated workforce will be more important to the state's economic well-being than ever before. The state's economy will grow from 1990 to 2005 by more than 500,000 new jobs. Business and employment projections suggest that the majority of the growth will occur in jobs that require some level of a college education. By 2005, 17 out of every 20 jobs in the state will fall in service-producing industries, such as wholesale and retail trade and business and health services. In addition, 40 percent of all new employment openings will be in professional and technical occupations. The manufacturing sector--which traditionally contains the largest proportion of jobs not requiring postsecondary education--represents the only group of occupations that will shrink by 2005.[4]

The state's labor force is expected to grow by 12 percent from 1990 to 2005, which is a slower rate than exhibited in the 1980s. Most of the expansion in the labor force will be made up by increases in the number of minorities and women. Two out of every five net additions to the

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[3] *Projections 2005: New Jersey Employment and Population in the 21st Century*, New Jersey Department of Labor, November 1992.

[4] *Projections 2005: New Jersey Employment and Population in the 21st Century*.

labor force will come from the "other races" group, while three out of every five net additions will be females. Only one out of every 20 net additions will be white males.[5]

Enrollment in Higher Education in New Jersey

To educate its residents, New Jersey relies on a comprehensive higher education system consisting of three public research universities, nine state colleges and universities, 19 county colleges, and 25 independent institutions. In 1994-95, these institutions enrolled almost 300,000 undergraduates and 40,000 graduate students.[6] In addition, they award close to 50,000 degrees annually, ranging from the associate to the doctoral level.[7]

Within the system of postsecondary education, New Jersey's students demonstrate the diversity of their state. In 1994-95, 66 percent of undergraduate students were white, 12 percent were black, nine percent were Hispanic, and six percent were Asian.[8] Fifty-seven percent of undergraduates were female, and 43 percent were male. Students from all different age groups enroll in higher education; in the 1994-95 year, 59 percent were under the age of 25, 21 percent fell between the ages of 25 and 34, and 18 percent were 35 or older. Fifty-five percent of the undergraduates were enrolled on a full-time basis, while 45 percent attended part-time.

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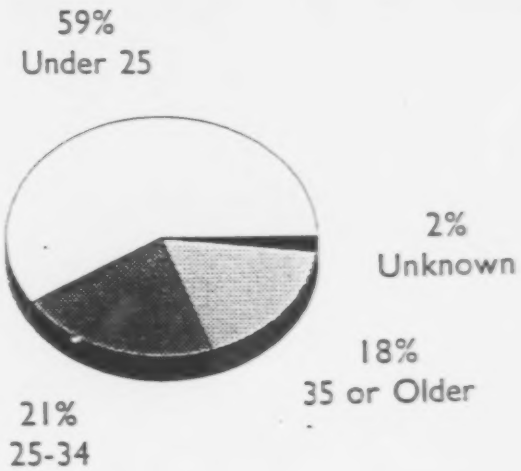
[5] *Projections 2005: New Jersey Employment and Population in the 21st Century.*

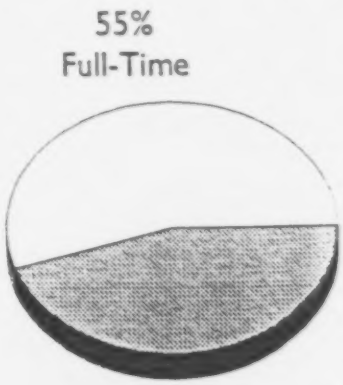
[6] Unless otherwise noted, all years denote academic years.

[7] *Report of the Commission on Higher Education, Task Force on Funding and Tuition Establishment.*

[8] Less than one percent of the undergraduate enrollment was comprised of American Indians. The remaining six percent were designated as either "non-resident alien" or "unknown."

New Jersey Enrollment by Age, Gender, & Attendance Status, 1994-95





Approximately 48 percent of those attended New Jersey county colleges, 23 percent attended state colleges, 15 percent enrolled in independent institutions, and 14 percent attended one of New Jersey's three public research universities.[9] In addition, close to 44 percent of New Jersey residents who were first-year college students in 1995 attended institutions outside the state.

Over the last several years, the profile of the New Jersey college student has changed. Just as the minority population has grown at a higher rate than the overall state population, the non-white student population has grown faster than the general student population. Since 1990-91, the number of non-white students enrolled in New Jersey institutions has increased faster than the number of whites. Although overall enrollment grew by only four percent from 1990-91 to 1994-95, the number of black students increased by 17 percent, the number of Hispanic students jumped by 36 percent, and the number of Asian students grew by 34 percent. At the same time, the number of white students dropped by four percent.

New Jersey's colleges and universities--keeping with national trends--are also enrolling more students from the "age 25 and over" group. Nationwide, the number of students in the ages 25 to 34 and the over age 34 group increased by 16 percent and 102 percent, respectively, from 1980 to 1991. The "under age 25" group grew by four percent during this time.[10] In New Jersey, data show that the number of students under age 25 rose by one percent from 1990-91

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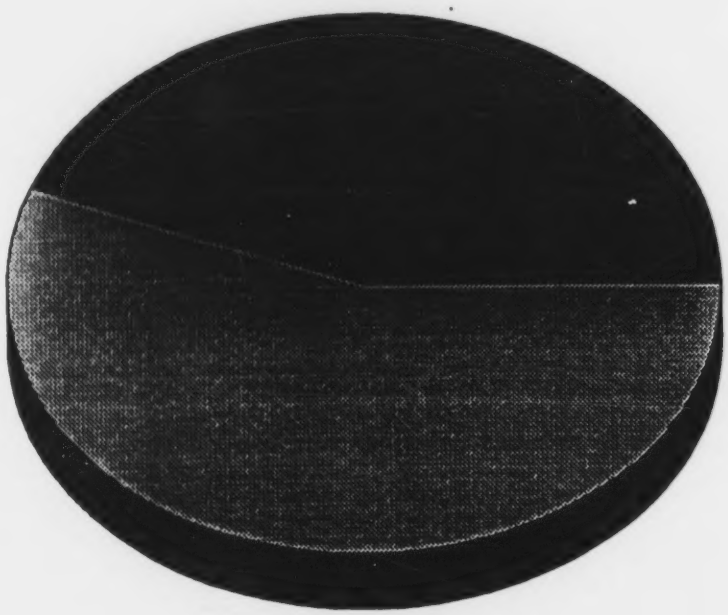
[9] Unless otherwise noted, all New Jersey enrollment data were collected from the New Jersey Commission on Higher Education.

[10] *Digest of Education Statistics*, 1994.

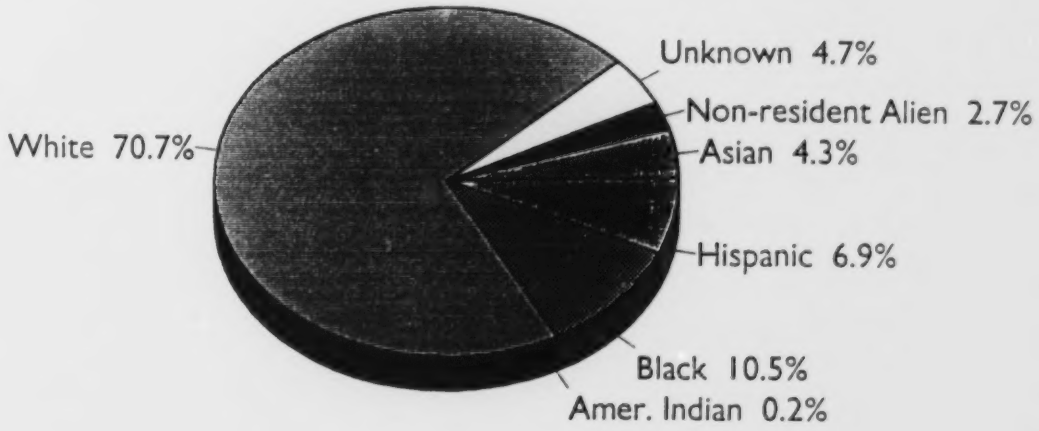
New Jersey First-Year College Students by In-State/Out-of-State Attendance Status, 1994-95

44% Attended
Out-of-State Institutions

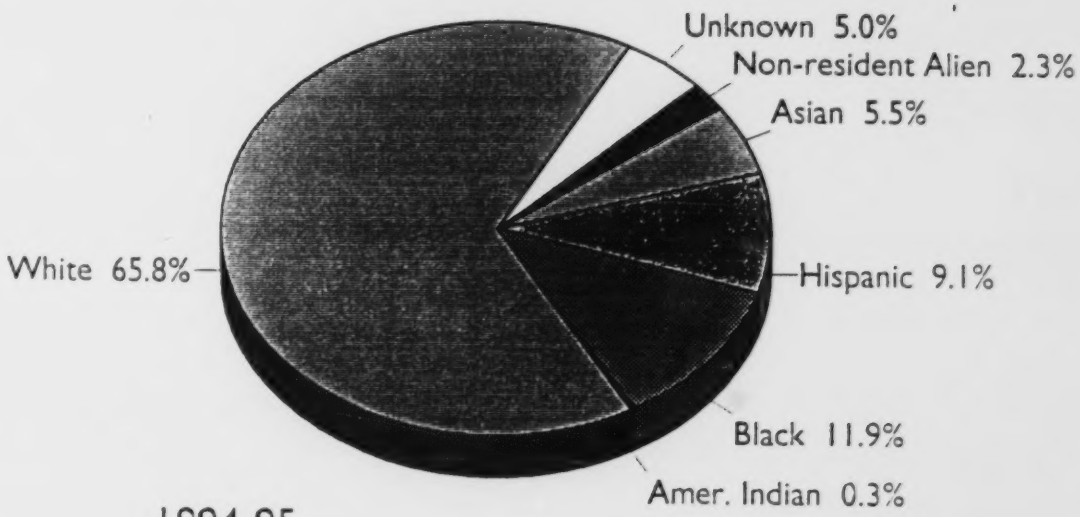


56% Attended
In-State Institutions

New Jersey Enrollment by Race/Ethnicity



1990-91
Total 275,512 Students



1994-95
Total 285,294 Students

to 1994-95, while the number of students ages 25 to 34, 35 to 49, and 50 and older increased by 8 percent, 16 percent, and 8 percent, respectively.

Regarding attendance status, national trends reflect large increases in the number of part-time students. From 1982 to 1992, the number of students attending college on a part-time basis in the United States grew by 22 percent.[11] In New Jersey, this trend holds true for the long-term, but has changed in the last five years. From 1981-82 to 1994-95, the number of full-time students grew by less than two percent while the number of part-time students rose by almost eight percent. Overall, enrollment increased by four percent, after a significant drop in enrollment in the mid-1980s. Over the last five years, however, from 1990-91 to 1994-95, the number of full-time students in New Jersey grew by seven percent, while those enrolled part-time rose by only one-tenth of a percent.

This increase in full-time enrollment might relate to the economic downturn that the state experienced in the early 1990s. Hard economic times have been linked to increased college enrollment, as potential workers turn to education when the job market dries up. Enrollment shifts in New Jersey in the first half of the decade support this theory: from 1990-91 to 1994-95, full-time enrollment increased by 20 percent in the community colleges, and by 13 percent in the public research universities. However, this increase was overshadowed by a 28 percent jump in the number of part-time students at public universities--which somewhat contradicts this theory of growing enrollments. The higher cost of attendance at public universities, in

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[11] *Digest of Education Statistics*, 1994.

combination with difficult economic times, might have contributed to many students switching to part-time status, but the evidence remains unclear at this juncture.

Despite these shifts in full-time and part-time enrollment, from 1981-82 to 1994-95, the proportions of full-time and part-time students have changed very little: in 1981-82, 56 percent were enrolled full-time, and 44 percent were part-time; in 1994-95, 55 percent were full-time, and 45 percent were part-time.

Financial Aid in New Jersey

New Jersey offers its residents substantial financial assistance to offset the cost of college. The more than $160 million appropriated for student aid in 1994-1995 demonstrates the significant investment that the state makes in increasing college access for its residents. New Jersey's financial aid system consists of several programs, from a large, need-based state grant program to a number of smaller, merit-based programs. The main programs serving undergraduates include the following: Tuition Aid Grants (TAG), the Educational Opportunity Fund (EOF), Bloustein Distinguished Scholars, Urban Scholars, Garden State Scholars, Public Tuition Benefits, and New Jersey College Loans to Assist State Students (NJCLASS). In addition, EOF, the King Physician/Dentist Scholarships, the Ferguson Law Scholarships, and NJ CLASS assist graduate students. The state also offers a bonus option for residents using state savings bonds to pay for college.

New Jersey's primary financial aid programs vary in their requirements, but all except NJCLASS dictate that recipients must be state residents and attend an in-state postsecondary institution. In addition, almost all of the programs stipulate that students enroll on a full-time basis in order to be eligible for aid. The TAG and EOF programs require applicants to demonstrate financial need, and, in the case of EOF, a disadvantaged background; the Bloustein Distinguished Scholars, Urban Scholars, and Garden State Scholars programs award grants on the basis of academic achievement. The Public Tuition Benefits program awards a small number of grants to the spouses and children of emergency service and law enforcement officers killed in the line of duty.

The state scholarship programs for graduate students, King and Ferguson, grant a limited number of awards to disadvantaged and minority students pursuing careers in the medical and legal professions. In addition to grants, the state appropriates funds each year for capitation support for nursing students and reserves space for New Jersey students in other states' veterinary programs, since New Jersey does not have a program. The NJ CLASS program offers unsubsidized loans in amounts up to the cost of attendance, to undergraduate and graduate students and to their parents and spouses.

The application process for state student aid differs by program. To receive need-based financial aid from New Jersey, students must complete the Free Application for Federal Student Aid (FAFSA). The Office of Student Assistance (OSA) reviews the student information from the FAFSA and determines if the student should receive a TAG award. To apply for EOF grants,

students must directly contact the EOF office at the institution's main campus, although institutions often recruit eligible students. Under the three merit-based programs, Bloustein Distinguished Scholars, Urban Scholars, and Garden State Scholars, New Jersey high schools nominate students, and a committee selects each year's recipients.

The Tuition Aid Grants (TAG) program comprises the largest part of New Jersey's financial aid system in both the number of students served and the dollar amount of the program. (See table on following page.) Awarding more than $118 million in grants[12] and close to 50,000 awards (approximately 60,000 students) in 1994-95, the TAG program bases awards on financial need, rather than merit.[13] The awards were spread fairly evenly across institutional sectors, with 31 percent of the grants assisting students at county colleges, 27 percent at state colleges and universities, 20 percent at independent institutions, and 22 percent at public research universities. In 1994-95, the average TAG award was about $2,030. Close to 40 percent of the grants were awarded to students with annual family incomes below $10,000 annually, and more than 60 percent went to students with family incomes below $20,000.[14] Sixty-six percent of the

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[12] This figure falls slightly below the $122 million appropriation for the TAG program and reflects actual spending in the program prior to final reconciliation with institutional refunds and reimbursements.

[13] The number of awards corresponds to the annualized award count, which includes the number of full-time, full-year grant equivalents awarded in one year. Since some students actually receive awards for only part of the year, more than one student might receive the equivalent of one annualized award. Thus, the number of grant recipients is larger than the number of annualized awards.

[14] Eligibility for TAG is based on a family's estimated ability to pay for educational costs. Because many different factors influence the calculation, no direct relationship exists between family income and award values.

NUMBER AND DOLLAR AMOUNT OF TAG AWARDS BY SECTOR[15]

Number of TAG Awards by Sector

	AY 89-90	AY 90-91	AY 91-92	AY 92-93	AY 93-94	AY 94-95
County Colleges	8,365	9,757	11,709	14,732	14,544	15,372
State Colleges	10,845	11,215	12,120	13,786	13,069	13,190
Independents	8,647	8,540	9,090	10,041	10,042	10,193
Rutgers/ NJIT	9,908	10,011	10,640	11,560	10,992	11,103
TOTAL	37,765	39,523	43,559	50,119	48,647	49,858

Dollar Amount of TAG Awards by Sector (in thousands)

	AY 89-90	AY 90-91	AY 91-92	AY 92-93	AY 93-94	AY 94-95
County Colleges	$7,615	$9,898	$12,724	$15,482	$17,112	$19,377
State Colleges	$14,397	$16,845	$19,740	$22,028	$22,979	$24,974
Independents	$23,452	$26,052	$30,603	$33,992	$38,300	$41,618
Rutgers/ NJIT	$20,284	$22,249	$26,144	$28,293	$30,564	$32,658
TOTAL	$65,748	$75,044	$89,211	$99,795	$108,955	$118,627

[15] The number of awards corresponds to the annualized award count, which includes the number of full-time, full-year grant equivalents awarded in one year, not the actual number of grants awarded. Some students might receive grants for only part of the year. Office of Student Assistance.

recipients were dependent students, with an average age of 19; 34 percent were independent students with an average age of 28.

To determine TAG eligibility and award values, OSA reviews each applicant's information from the FAFSA and then performs its own needs analysis, producing the New Jersey Eligibility Index (NJEI). By taking into account several factors--such as family income, dependency status, family size, number of dependent family members in college, and the cost of college--this index reflects the student and his/her family's expected financial contribution toward the cost of college. Using this information, OSA constructs a TAG table for the Student Assistance Board (SAB) to approve on an annual basis; each table displays projected TAG awards across sectors according to a student's NJEI. As the NJEI increases (moving down in each column), the estimated average award decreases. (See the TAG table for 1994-95 on the following page.)

The range of individual TAG grants varies each year, according to the amount appropriated by the legislature for the TAG program and tuitions in the respective sectors. The program was designed to grow as tuition in New Jersey increased, and award amounts have risen overall as tuition has risen. Beginning in 1994-95, maximum TAG awards have been set by the amount of tuition for the previous year plus 3.5 percent at public institutions with an equivalent increase at independent institutions. By law, grant awards cannot equal more than the cost of tuition for public in-state institutions or more than half the cost of tuition at in-state private institutions. In 1994-95, maximum TAG awards covered 92-99 percent of the average tuition at public institutions and 48 percent of the average tuition at independent institutions.

TUITION AID GRANT (TAG) AWARD TABLE FOR 1994-95[16]

New Jersey Eligibility Index (NJEI)	County Colleges[17] Award Average	State Colleges Award Average	Independent Institutions Award Value	Rutgers & UMDNJ Award Value	NJIT Award Value
Under 1500	$1,370	$2,280	$5,210	$3,552	$4,138
1500-2499	$1,280	$2,140	$4,880	$3,350	$3,860
2500-3499	$1,080	$1,780	$4,250	$2,950	$3,430
3500-4499	$ 800	$1,440	$3,770	$2,530	$2,910
4500-5499	$ 600	$1,170	$3,290	$2,190	$2,500
5500-6499	0	$ 880	$2,810	$1,850	$2,090
6500-7499		$ 600	$2,330	$1,520	$1,720
7500-8499		0	$1,850	$1,190	$1,290
8500-9499			$1,390	$ 800	$ 800
9500-10499			$ 800	0	0
Over 10499			0		

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[16] Office of Student Assistance. Approximate annual award values at institutions licensed and approved for participation in the TAG program as of July 1, 1994. In accordance with State guidelines, the value of a student's grant may decrease depending on appropriated funds, actual tuition charges, cost of attendance, estimated family contribution, and other available resources.

[17] For county and state college sectors, this table displays the projected average award values across the respective institutions in the sector. The award values at a given institution may be higher or lower depending on the level of tuition.

The Educational Opportunity Fund (EOF) constitutes the second largest student aid program in New Jersey. The program targets low-income state residents who are motivated but lack adequate preparation for college. In 1994-95, the Fund enabled 13,500 students to receive an EOF grant and to participate in on-campus tutoring, counseling, and summer programs. For first-year dependent EOF recipients in 1994-95, the median family income was $13,695, compared to the state median family income of $39,000. The majority of EOF students are first-generation college attendees and come from single female parent households. Approximately 15 percent of EOF recipients are from households that receive public welfare assistance; females outnumber males in the program by two to one. Forty-four percent of recipients are black; 20 percent are Hispanic; 20 percent are white; and about 7 percent are Asian.[18]

There are 60 EOF programs across the state at 44 institutions. In addition to providing for the grants and other services, the program also employs more than 300 full-time staff that fill institutional EOF offices. To provide for these on-campus offices, each participating institution matches the state's contribution; the offices then recruit and directly manage the programs. At the state level, the EOF program is administered by the EOF Board, whose members are appointed by the governor. The Board operates under the Commission on Higher Education, and a representative of the chair of the EOF Board is a member of the Student Assistance Board.

[18] The remaining nine percent are composed of "others" and "unknown."

At the individual level, the campus financial aid administrator packages the total award amount for recipients of New Jersey state aid and other financial assistance. Students might receive aid from several different sources; for example, a student might receive a federal Pell Grant, a TAG award, a federal Stafford loan and an EOF award, which includes a grant and the other programmatic assistance detailed above. These awards are applied toward the student's total cost of attendance. Thus, if the Pell Grant, the EOF award, and the Stafford loan covered the cost of tuition, the TAG award might be applied toward the student's room and board or other expenses. Eligibility for New Jersey student assistance does not depend on the receipt of federal aid.

The Budgetary Context for Student Aid

The main financial aid programs in New Jersey have been adequately funded over the last several years.[19] From fiscal year 1990 to 1995, state appropriations for these programs increased by over 70 percent, from less than $95 million to more than $160 million.[20] (See the appropriations table on the following page.) The largest program, TAG, received the largest appropriations increase as well, rising from about $61 million to about $123 million--a 100 percent increase. Funding for some of the other programs has grown at a much slower rate than for the TAG program. For EOF, appropriations have risen more slowly, increasing by an average of four percent annually.

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[19] For the purposes of this discussion, the "main" financial aid programs include TAG, EOF, Garden State Scholarships, Bloustein Distinguished Scholars, Urban Scholars, Public Tuition Benefits, King Physician-Dentist Scholarships, and Ferguson Law Scholarships.

[20] Appropriations data are based on adjusted figures from the Budget Book of the governor.

NEW JERSEY STATE APPROPRIATIONS FOR STUDENT AID PROGRAMS[21]
(IN THOUSANDS OF DOLLARS)

	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY1996
Tuition Aid Grants	$61,305	$70,705	$90,300	$104,800	$121,280	$122,730	$114,560
Part-time TAG Grants for EOF Students	$500	$500	$400	$400	$400	$400	$400
EOF							
Program Grants	$14,871	$14,871	$16,271	$17,271	$18,110	$18,110	$19,410
Supplementary Grants	$8,819	$8,819	$8,819	$8,819	$10,500	$10,500	$11,000
MLK Scholarships	$375	$602	$602	$602	$602	$602	$602
Ferguson Scholarships	$100		$200	$200	$200	$200	$200
Garden State Scholarships	$3,450	$3,450	$3,450	$3,062	$3,062	$3,062	$2,662
Bloustein Distinguished	$3,500	$3,500	$4,000	$4,000	$4,000	$4,000	$3,600
Urban Scholarships	$900	$1,300	$1,300	$1,300	$1,300	$1,300	$1,300
Public Tuition Benefits				$65	$65	$65	$65
TOTAL[22]	$93,820	$103,747	$125,342	$140,519	$159,519	$160,969	$153,799

[21] These figures are derived from the governor's Budget Books for FY 1991 through FY 1996 and from the FY 1996 state budget. Appropriations have not been adjusted to reflect funds carried forward into the next fiscal year.

[22] TOTAL includes only those student aid programs listed on this table--the main state programs.

The data on appropriations in the table do not necessarily indicate the actual amount spent--which varies by program. In some years, spending falls below the amount appropriated. In the TAG program, this situation has produced unspent funds, which the legislature has allowed the program to "carry forward" into the next fiscal year as a part of their budget allocation. For example, in FY 1996, the appropriation for the TAG program dropped by seven percent from the previous year's $122 million to $114 million. However, actual spending in the program is expected to increase to $138 million. The $24 million difference between these two figures is composed of carryforward funds from the previous year, prior year refunds from institutions (for funds not spent), and unanticipated federal State Student Incentive Grant (SSIG) allocations. In FY 1995, an additional $12 million was allocated from previous years, in addition to the $123 million originally appropriated. Carryforward funds are utilized in other programs as well. In the three merit-based programs, more than $2 million in carryforward funds were added during the appropriations process to the $7.6 million originally appropriated for these programs in FY 1996.

Fund balances which can result in carryforward funds are generated from over-estimated enrollment figures as well as contingency funds. Each year, the SAB approves an extra amount, called the contingency fund, in addition to the budget request based on projected enrollment figures. This amount, usually about three percent of the total, is reserved for unexpected growth in the program and acts as a safety net to prevent the SAB from having to reduce awards substantially in the middle of the year. The proposed end to the SSIG program a few years ago caused the SAB to request an additional amount to compensate for this expected loss in revenue.

When the SSIG program was not eliminated, those funds were made available to be carried into the next fiscal year. The state legislature must grant the Office of Student Assistance the budgetary authority to spend these "extra" funds; "carrying over" is not automatic.

The reliance on carryforward funds has created the potential for a "structural deficit" in the TAG program for FY 1997 and future years. In other words, the appropriated amount for the program is substantially lower than the actual amount spent; yet appropriations for each year are based on the amount appropriated in the previous year. Consequently, this "structural deficit" has generated considerable confusion and uncertainty about the appropriate level at which the TAG program will or should be funded.

In order to maintain the FY 1996 expected number of recipients at static award levels in addition to a contingency reserve, the TAG appropriation in FY 1997 would have to increase by almost $24 million from the FY 1996 original appropriation. To increase award levels would require even more funds. With funding for other state responsibilities, such as Medicaid and K-12 expenditures, expected to rise in FY 1997 and in future years, increased spending in higher education--over FY 1996 appropriation levels--is uncertain. Adding to the crisis, an unexpected jump in full-time enrollment in FY 1996 might translate to less funds that would be available for carryforward into FY 1997.[23] With the prospect of fewer funds available for carryforward from FY 1996, the $24 million needed to close the gap in appropriations in FY 1997 would need to come almost entirely from newly appropriated funds. Even if the Governor and legislature

[23] Office of Student Assistance.

are able to secure these funds for FY 1997, the potential for a deficit will continue to exist in future years.

The uncertainty of the budgetary situation for student aid in New Jersey this year falls at a particularly dreary time for student aid. Funding for financial assistance from other sources has shifted in recent years from the form of grants to loans. At the national level, the ratio of federal loans to Pell Grants was 4:1 in 1994-95.[24] In New Jersey, the ratio of federal loans to Pell Grants was approximately 3:1.[25] In addition to the shift to loans, potential budget cuts at the federal level threaten federal student aid programs. Preliminary legislation has included raising the minimum Pell Grant and thereby reducing the number of grant recipients. In addition, budget battles have included discussions of eliminating the grace period on federally subsidized student loans--although that item appears to have been removed from the chopping block. Other discussions have threatened to remove legal immigrants from eligibility for federal student aid programs--with potentially devastating effects on states with large immigrant populations. Some estimates calculate that as much as 17 percent of New Jersey's students might lose their federal aid if this legislation were to pass. The final resolution of budgetary cuts from the federal level for FY 1996 and beyond remains uncertain, but current discussions reveal the vulnerability of state student aid recipients. With federal aid already coming mostly in the form of loans, and the threat of cuts still on the horizon, grant aid from the state is even more important to students.

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[24] Based on figures from *Trends in Student Aid*, The College Board, 1995.

[25] Based on estimates from third-quarter figures.

The Structure of Student Aid in New Jersey

Higher education in New Jersey has undergone substantial changes in its governance structure in the last two years. The Board of Higher Education (BHE) and the Department of Higher Education (DHE)--which had been established in 1968 as part of a statewide movement to strengthen postsecondary education in New Jersey--were dismantled in 1994 and replaced by a Commission on Higher Education and a Presidents' Council. In addition, more authority was granted to each public college and university's board of trustees concerning academic and budgetary matters.

In March, 1994, Governor Whitman announced in her budget address a plan to abolish the state DHE and the BHE, and to create a panel of New Jersey citizens who would develop a long-range plan for higher education in the state. By June, 1994, the Higher Education Restructuring Act had established a new structure. A fifteen-member Commission on Higher Education (scheduled to become nine members after four years) replaced the BHE/DHE; and the Presidents' Council, made up of every college and university president in the state, was organized to advise and make recommendations to the Commission regarding certain matters.[26] Fourteen of the fifteen Commission members are public members--six of whom are current members of institutional governing boards--and are appointed by the governor. The chairman of the Presidents' Council makes up the fifteenth member.

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[26] Each president of a public college and university and each president of an independent institution receiving "direct State aid" serves on the Council, according to statute. Anticipated amendments to statute will add representatives of certain proprietary and religious training institutions to the Council membership.

The Office of Student Assistance (OSA) now operates "in but not of" the Department of Treasury and administers the state student assistance programs, including those which fall under the SAB and the Higher Education Assistance Authority (HEAA). The governor appoints an Executive Director of Student Assistance Programs who supervises OSA and consults with the Commission; the SAB and HEAA operate under the umbrella of OSA. The SAB governs the state scholarship and grant programs and establishes their criteria and rules. The fourteen-member SAB includes the chairman of the Commission on Higher Education and the State Treasurer, or their designees, as well as twelve members who are appointed by the governor. These include four public members; one representative each from Rutgers, the county colleges, the state college/ university group, the independent institutions, and NJIT; one member of the EOF Board; and two students, one attending a public institution and one enrolled at a private institution.

In addition to reorganizing the state governance of higher education, the changes in 1994 also decentralized several functions from the state level to institutions. Regarding budgetary matters, institutions submitted their budget requests to the Department of Treasury and DHE; DHE then reviewed and combined these requests into a higher education budget, requiring institutions to adjust their individual requests. With the new structure, institutions now submit their requests for state appropriations directly to the Department of Treasury. The Presidents' Council and the Commission on Higher Education present overall budget recommendations to the governor and the legislature annually; the Presidents' Council also presents a unified budget policy statement to the Commission. Rather than incorporating individual institution budgets into these

requests, however, these groups present broad themes without specific financial figures by campus. Within the Presidents' Council, this process allows individual institution needs to be discussed openly among institutions and sectors, rather than separately and behind closed doors. The Commission uses its budget recommendation as one vehicle for advancing its master plan for higher education.

As New Jersey heads into its second year under the new higher education structure, the long-term effects on student aid cannot yet be determined. The substantial support for student aid--across the sectoral and institutional divisions--appears to have continued with the new organization and budgetary process. Funding for the TAG program has continued to grow in FY 1996, propelling it, once again, to the forefront of state grant programs in the nation. Yet, the structural deficit left in FY 1997 in the TAG program might present New Jersey higher education with one of its greatest challenges: how to maintain its nationally-renowned grant program in a year of severe fiscal constraint. As the state and higher education confront the budgetary uncertainty of FY 1997, the strengths and weaknesses of the new system will emerge--to the benefit or the detriment of student aid.

FINDINGS ON STUDENT AID IN NEW JERSEY

The value of a college education is greater now than ever before in history. Individually, a college education increases one's average earnings significantly; college graduates earn about $33,000 annually, compared to an average of less than $19,000 for high school graduates.[27] For society in general, a college-educated workforce adds to overall prosperity and economic growth. A college education means more for the workforce in New Jersey as well. Projections for the state's economy indicate that the majority of new jobs will occur in areas such as the service-producing industries--areas that require at least some level of a college education.

New Jersey's commitment to student financial assistance demonstrates that state officials understand the value of a college education and the importance of student aid programs in increasing the number of students that attend colleges and universities. Overall, it appears that New Jersey's financial aid programs are successful, though there is certainly room for improvement. Specifically, research shows that these programs have proven successful because of their concentration of funding in the form of grants, the impact that the grants have made in reducing the cost of attendance and in curbing the rate of college borrowing, and the continued commitment to student aid over time. The programs could be improved, however, in terms of their ability to predict future recipients and their budgetary stability. Focusing on these problems might further improve the state's already successful student aid system.

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[27] U.S. Department of Commerce, Bureau of the Census.

Data analysis, interviews, and informal discussions with policy makers and higher education leaders in the state have revealed several important findings regarding the state's student aid system. These include:

New Jersey concentrates most of its financial assistance in the form of grants--the most effective form of student aid.

Of New Jersey's numerous programs, the state commits most of its resources to grant programs. Out of the more than $160 million appropriated for student assistance in FY 1995, over 90 percent took the form of need-based grants. More than three-fourths were concentrated in the TAG program. Although borrowing in the state has risen in recent years through federal loan programs, the state's student aid priorities remain focused on grant aid.

Research indicates that, in addition to helping those who cannot afford college to attend, grant aid positively impacts student persistence. In other words, grants help students to stay in college and obtain a degree. A recent U.S. General Accounting Office (GAO) study shows that awarding an additional $1,000 in grant funds to low-income students decreases the dropout rate among these students by 14 percent.[28] In contrast, an additional $1,000 in loan aid translated to a three percent increase in the dropout rate for these students.

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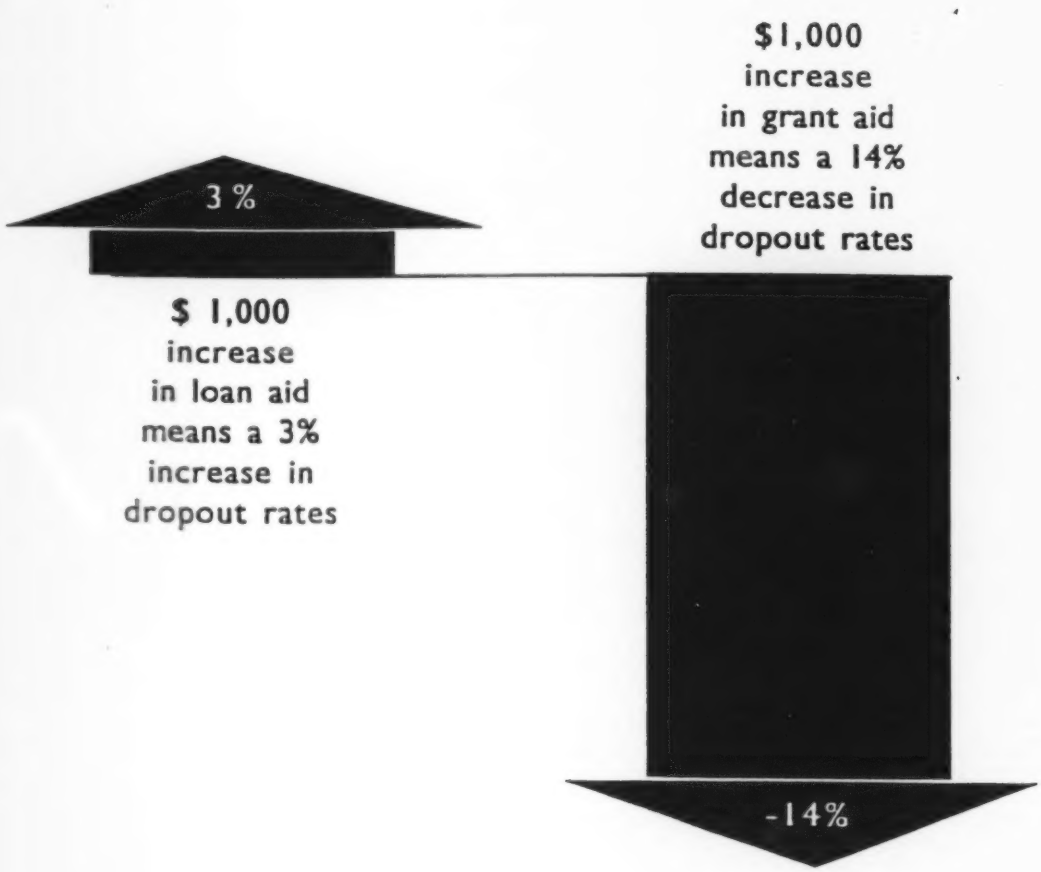
[28] Low-income is defined as income below $21,000. U.S. General Accounting Office. *Restructuring Student Aid Could Reduce Low-Income College Student Dropouts*, 1995.

The Impact of Loan and Grant Aid on Low-Income Students' Dropout Rates



National data reveal that close to 50 percent of those entering college never complete their programs of study. Student aid programs are an investment by the state in New Jersey residents, and the state has a legitimate interest in actively promoting student persistence and degree completion in order to see a return on its investment--both socially and economically. In lifetime earnings, persons with associate and bachelor's degrees earn approximately $1.1 million and $1.4 million, respectively--29 and 73 percent more than the estimated $821,000 that high school graduates earn. New Jersey's strong grant programs raise the chances that its students will persist in college and earn a degree, thus increasing the probability that New Jersey will reap the proceeds from its investment.

New Jersey's commitment to grant aid has placed it at the top of national rankings. Because of its grant programs, New Jersey ranks at the top nationally in terms of the amount of aid awarded to undergraduates. In 1993-94--the most recent year in which the national survey was conducted--New Jersey was fifth in the amount of need-based aid awarded to undergraduates per resident population, third per resident college-age population, and second per full-time undergraduate enrollment. Furthermore, the state stood fourth in the percentage of full-time undergraduates receiving grant awards and fifth in the amount of total state grants as a percentage of appropriations for higher education. Neighboring states New York and Pennsylvania have also ranked high in these categories.[29] New Jersey has ranked in the top seven in each of these categories in the last five years, topping the list more than once. The

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[29] *National Association of State Scholarship and Grant Programs 25th Annual Survey Report*, May 1994.

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state's nationally-renowned TAG program demonstrates the commitment that New Jersey has made to student assistance--over and above that of other states.

For students with financial need, TAG awards have significantly reduced the cost of attendance at New Jersey colleges and universities.

The TAG program links the student's grant level to the cost of tuition at New Jersey institutions. For students with the lowest NJEI--represented in the first row on the TAG table--the maximum TAG award level is raised as tuition increases (and funds allow). Award levels for the other recipients--on the other rows of the TAG table--are set subsequently. As a result of this relationship between grant levels and tuition on all rows of the TAG table, the average TAG awards substantially lower the cost of attendance for New Jersey students.

In 1994-95, the average TAG award covered between 64 and 73 percent of the average cost of tuition at public institutions and about 33 percent of the average tuition at independent institutions. For the state's neediest students, the maximum TAG award reduced the average cost of tuition by 92 to 99 percent for students at public institutions and by 48 percent for students at private institutions. Statute states that the TAG award cannot exceed the cost of tuition at public institutions or half of the average tuition at independent institutions. (See the table on following page.)

COMPARISON OF MAXIMUM TAG AWARDS AND AVERAGE TUITION[30]
1994-95 ACADEMIC YEAR

	Average Tuition	Maximum TAG Award[31]	% of Tuition	Average TAG Award	% of Tuition
County Colleges	$1,485	$1,370	92%	$974	66%
State Colleges	$2,379	$2,280	96%	$1,681	71%
Independent Inst.	$10,946	$5,210	48%	$3,619	33%
Rutgers	$3,693	$3,552	96%	$2,680	73%
NJIT	$4,188	$4,138	99%	$2,680	64%

[30] Values for maximum TAG awards were derived from the TAG Table for 1994-95 from the Office of Student Assistance. Average TAG award values were derived from a profile of TAG recipients from the Office of Student Assistance. Average tuition rates refer to the average annual full-time tuition, weighted by institution within each sector, as provided by the Office of Student Assistance.

[31] For county and state college sectors, the "maximum" award value refers to average award values across the institutions in these sectors. Award values at a given institution might be higher or lower depending on the level of tuition.

The growth in tuition rates at New Jersey colleges and universities surpassed inflation, but state TAG grants softened the impact of the tuition hikes.

From 1989-90 to 1994-95, tuition at New Jersey institutions rose by 38-55 percent, representing annual increases of 8-11 percent across the different sectors.[32] This growth surpassed New Jersey's 21 percent inflation rate over the same time period.[33] The average amount of individual TAG awards rose by about 37 percent from 1989-90 to 1994-95. The cost of college in New Jersey, as in the nation, continues to grow faster than inflation. Yet, New Jersey state grants have kept up with the cost of tuition and alleviated the negative effects of these increases on students--further demonstrating the impact that New Jersey grants have had on reducing the cost of college.

Although college borrowing has increased dramatically in New Jersey, the state's strong grant programs have curtailed additional growth.

Nationally, borrowing for college has skyrocketed in the last several years, reaching approximately $23 billion in FY 1995. In New Jersey, borrowing also has increased, from $202 million in FY 1990 to $346 million in FY 1994, a 71 percent jump and an average annual increase of 18 percent. (See table on the following page.)

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[32] Tuition refers to average tuition for New Jersey residents attending institutions as full-time undergraduates.

[33] U.S. Department of Labor, Bureau of Labor Statistics.

INCREASE IN BORROWING BY STATE STUDENT LOAN GUARANTEE AGENCY -- FY 1990 TO FY 1994
Ranked by Rate of Increase

Stafford, PLUS, and SLS Loans
Largest Guarantee Agencies
in 1994

	FY 1990	FY 1994	% Change 1990-1994	Annual % Change
Colorado	$235,619,485	$323,424,496	37.3%	9.3%
Texas	$703,462,126	$1,067,232,396	51.7%	12.9%
Virginia	$260,612,255	$423,699,275	62.6%	15.6%
Illinois	$424,684,454	$709,642,725	67.1%	16.8%
Pennsylvania	$1,026,272,314	$1,747,274,089	70.3%	17.6%
NEW JERSEY	**$202,186,874**	**$345,722,890**	**71.0%**	**17.7%**
California	$1,088,348,022	$1,912,805,714	75.8%	18.9%
New York	$929,086,971	$1,667,124,351	79.4%	19.9%
Iowa	$178,566,502	$335,908,159	88.1%	22.0%
Ohio	$271,839,177	$551,351,278	102.8%	25.7%
Indiana	$174,108,288	$372,931,864	114.2%	28.5%
Nebraska	$172,601,644	$378,433,971	119.3%	29.8%
Michigan	$244,739,310	$550,402,325	124.9%	31.2%
Massachusetts**	$472,554,210	$1,099,450,095	132.7%	33.2%
USAF*	$1,937,869,935	$4,724,841,523	143.8%	36.0%
Washington***	$161,389,555	$396,544,335	145.7%	36.4%
Wisconsin	$425,138,026	$1,197,291,546	181.6%	45.4%
Georgia	$108,315,674	$322,103,614	197.4%	49.3%
Florida	$175,183,103	$521,648,244	197.8%	49.4%
TOTAL	*$12,290,646,911*	*$23,101,135,064*	*88.0%*	*22.0%*

* In 1990, United Student Aid Fund (USAF) was the designated guarantor for Arizona, Hawaii, Nevada, and the Pacific Islands. In 1994, USAF was the designated guarantor for Alaska, Arizona, Hawaii, Kansas, Nevada, the Pacific Islands, and Wyoming.
** Massachusetts became the designated guarantor for DC beginning 1/16/91.
***Washington (Northwest Education Loan Association) became the designated guarantor for Idaho beginning 4/15/94.

While these figures indicate a significant rise in borrowing, the rate of growth might have been higher if New Jersey's own state financial aid programs were not so strong. Of the largest loan guarantee agencies in the country, New Jersey's rate of increase in borrowing ranked sixth from the bottom, slightly below California and New York, and well below states such as Massachusetts, Ohio, and Michigan.[34] The growth in New Jersey's state grant programs from 1990 to 1994 likely contributed to holding down the rate of borrowing. New Jersey's own supplemental loan program, NJCLASS, has witnessed a drop in borrowing since its inception in 1991-92. In that year, the program approved approximately 4,250 loans equalling $17.6 million. By 1994-95, however, volume in the program dropped to 1,875 loans and $10.9 million. This decline in borrowing from the state program might stem from increased borrowing through federal programs in addition to the growth in state grant programs. The recent establishment of the program might also have contributed to the larger volume in its first two years.

Funding for student aid in New Jersey has increased substantially over the last several years and at a faster rate than federal student aid funding.

In addition to concentrating its student aid programs on grants and improving their effectiveness, New Jersey has maintained a continuous commitment to student aid funding--increasing its contribution faster than the federal government. Since 1989-90, the dollars appropriated for the main state aid programs have grown by 72 percent overall, from $94 million in FY 1990 to $161

[34] Note: while state guarantee agencies do not issue loans only to individuals from that state, they offer the best estimate of borrowing on a state-by-state basis.

million in FY 1995. In constant dollars, these programs grew by about 44 percent. Within these funds, the amount utilized by need-based state grant programs has increased by 77 percent (49 percent when adjusted for inflation), from $86 million to $153 million. The TAG program alone has expanded from $61 million to more than $122 million--a 100 percent increase in appropriations over a five-year period. Adjusted for inflation, appropriations for the TAG program rose by 57 percent during that time.

When compared to student aid from the federal government, the increase in funds for grant programs in New Jersey becomes even more striking. Nationally, federal student aid has increased overall from $20.6 billion in 1989-90 to $35.1 billion in 1994-95--a 70 percent jump (42 percent when adjusted for inflation) but slightly less than the increase in New Jersey. In terms of federal grant funds, however, the Pell Grant, SEOG, and SSIG programs together have grown by only 19 percent from $5.3 billion in 1989-90 to $6.3 billion in 1994-95. When adjusted for inflation, this increase in federal grant support drops to less than one percent over the five-year period.[35]

For the individual, the average amount of a TAG award has increased by approximately 37 percent from approximately $1,480 in 1989-90 to $2,030 in 1994-95. In constant dollars, these awards have risen by 15 percent. In contrast, over this timeframe, the average Pell Grant has fallen by two percent, from $1,530 to $1,497. Adjusted for inflation, this decline represents a

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[35] *Trends in Student Aid*, The College Board, 1995.

17 percent drop. Thus, state grant aid has helped to improve the affordability of college which rising tuition levels and stagnating federal grant support have threatened.

Predicting the number of students eligible for TAG continues to be difficult.

In July of every year, the SAB establishes the TAG table of award values for the next academic year, using the amount appropriated for the program, a projection of the number of eligible students, and an estimation of their financial need based on cost of attendance. Several reasons have made these variables more difficult to predict: the liberal deadlines for applications to the TAG program--through March 1 of the following year for Spring awards; changing enrollment patterns among the sectors; variations in student attendance and attendance status; and changes in the reporting of federal data to the state through the FAFSA.

The number of applications are projected according to a model that measures on a weekly basis the difference in the number of applications, the rate of offers to applications, and the average award amount between the current year and the prior year. The model also incorporates changes in processing time from year to year, as improvements in electronic data processing increase the speed at which applicant information is received from the federal government and eligibility is determined.

OSA has taken steps to improve the reliability of its projections, such as establishing a deadline of June 1 for applications from students already receiving TAG awards, who are referred to as renewal students. Moving the deadline for new applicants has been discussed, but has not

occurred. Students might suffer if the deadlines were earlier, especially in the county colleges, because their eligibility for aid would depend on their ability to enroll early in the year. Currently, many students in the county colleges enroll after the term has begun and are still eligible to apply for TAG assistance because of the March 1 deadline. Other states utilize earlier deadlines; for example, Pennsylvania uses May 1 of the prior academic year for both Fall and Spring state grant awards.

The budgetary outlook for student assistance in New Jersey remains uncertain.

Although the reorganization of higher education received mixed reviews in the higher education community, institutions and the state have worked together within the new structure to ensure its success. Some uncertainty remains as to what outcome the structure will produce for higher education over the long-term. With institutions now advancing their own requests directly to the Department of Treasury, concern has arisen that some institutions will suffer at the expense of other schools who are more vocal and more effective advocates. Others counter that the former structure favored larger and more influential institutions and pitted smaller institutions against each other rather than uniting them. The Presidents' Council, however, seems to allow presidents the opportunity to express their needs to each other and to unite behind common themes in the preparation of their budgetary recommendation. Thus, there is some evidence that the new structure has improved the budget process from the institutional perspective.

Regarding student aid, the budgetary outlook remains unclear. Despite the efforts of the Office of Student Assistance, the difficulty in projecting the number of recipients and the amount of

their awards has contributed to a potentially devastating situation for TAG and other programs--a structural deficit between the amount of funds originally appropriated and the amount actually spent (which includes carryforward funds). These carryforward funds--which are relied on to close this deficit--are comprised of two main sources: the contingency fund and refunds from institutions. Over time, as the SAB has established a TAG table for each year, a contingency fund has been included in projected costs as a safety net in case the number of students were significantly underestimated. When these funds have not been used, the legislature has allowed them to be utilized in the next budget year. Institutional refunds result when institutions return unspent grant funds after the state deadline. Institutions should return any unspent grant funds--due to cancellations and discrepancies between the projected and the actual number of students--by a deadline that allows OSA to account for those funds in their budgetary request for the upcoming year.

Over the past several years, the amount originally appropriated for student aid programs has not reflected the amount actually spent, and additional funds have been "carried over" and applied to spending in the next year. Continual use of these funds has created a pattern of spending above the amount appropriated for the program, so that in years when carryforward funds might not be available--as it appears will be the case in FY 1997--a large structural deficit exists. For FY 1997, that deficit--the difference between the amount appropriated in FY 1996 and the actual amount expected to be spent--will be $24 million in the TAG program. As a result, the SAB, the Commission on Higher Education, and the Presidents' Council are requesting a significant funding increase in FY 1997, when the state budget is already stretched. Thus, since New

Jersey's diligent efforts not to shortchange students have occurred off the standard appropriations table, the state might have inadvertently created a situation that endangers students rather than assists them.

Overall, New Jersey's financial aid programs represent one of the most successful systems in the country. They significantly reduce the cost of college for many New Jersey residents. The state's commitment also ranks far above that of other states and the federal government. Yet, there is clearly room for improvement concerning the budgetary stability of student aid programs.

POLICY OPTIONS FOR NEW JERSEY

At this critical juncture in New Jersey higher education--a year after the Higher Education Restructuring Act, in the middle of several studies evaluating numerous aspects of higher education and student aid, with the looming threat of cuts in federal student aid--the state must explore its options and select those that will best serve New Jersey and its people in both the next year and for the long-term. Outlined below are a variety of policy options for the state to examine and consider. In its deliberations, New Jersey must focus on all aspects of higher education, as well as the benefits that higher education brings to the state.

Establish clear and definitive priorities for state student aid programs.

In this time of tight fiscal resources, New Jersey must concentrate its resources in ways that are consistent with state goals and in the areas that will be most beneficial for the state. Regarding student aid, the state grant programs have proven effective in decreasing the cost of attendance at New Jersey institutions, increasing access to college, and preventing student borrowing from skyrocketing--all positive outcomes that are beneficial to students and the state. New Jersey has ranked at the top nationally because of its funding of state grant programs and has shown more dedication to grant programs than that seen in federal student aid.

To continue this success, however, New Jersey must clearly prioritize these funds. The budgetary situation in 1997 demonstrates the vulnerability of the student aid programs and, as a result, the potential risk to students needing these dollars. Potential reductions in federal

student assistance could further increase the needs of New Jersey residents. To protect the students most susceptible to the budgetary ax, the state could explore the following options.

Pevamp the TAG award structure to "guarantee" support for the state's neediest students. Since its creation in the 1970s, the TAG program has used the same model to determine student need and to calculate award levels. Two decades later, the time has come to evaluate the model and to ensure that it continues to meet New Jersey's priorities for student aid. The Office of Student Assistance should evaluate the formula for calculating the NJEI and the TAG table and propose any necessary changes in the current structure to the SAB. After reassessment of the NJEI and TAG table, the OSA should construct a new TAG table for approval by the SAB.

Under this new table, the first row of grant recipients--those with the lowest NJEI--would be awarded maximum TAG grants equal to the average cost of attendance at a four-year public institution, minus the maximum Pell Grant.[36] These awards would be limited by the actual cost of attendance at the student's institution. Instituting this new award structure with the current TAG table--assuming that the first row of the TAG table would be considered the very neediest students--would translate to higher grants for the state's neediest students in all sectors, but would also incur higher costs for the state. In order to continue to offer grants to all or most

[36] In 1994-95, the average cost of attendance (tuition, fees, room, and board) at a four-year public institution in New Jersey was approximately $8,700. The maximum Pell Grant award in 1994-95 was $2,300. Thus, the TAG "guarantee" for the state's neediest students in 1994-95 would have been $6,400.

of the rows on the TAG table, the definition of the neediest students must be more clearly outlined in the table.

With this higher grant award, New Jersey would strengthen its commitment of access to the neediest students in the state and would demonstrate that the TAG program focuses first and foremost on the most financially needy students in the state. This could send a powerful message to prospective students regarding the state's commitment to access to higher education. At the same time, the state would maintain its grant program without incurring prohibitive costs.

Maintain awards for the other students qualifying for the TAG program, but at a modestly reduced level. Most other sources of financial assistance concentrate their efforts on helping the most financially needy students with their grant dollars. If they offer aid to other needy students, it often takes the form of loans. New Jersey is one of the few states that offers substantive grant awards to middle-income students, in addition to low-income students, and that tradition has contributed both to the success of the program and to the wide political support that it has received. Furthermore, the strength of the TAG program has reined in student borrowing in New Jersey and significantly reduced college costs for middle-income, as well as low-income, students.

Borrowing has increased dramatically, however, and significantly diminishing state aid for middle-income students now might lead to a rise in borrowing. Information on the NJCLASS program reveals that many of its participants come from middle-income families. In addition,

the strong political support that New Jersey's grant programs have received, particularly through the TAG program, stems in part because of the broad spectrum of TAG recipients--across different income levels and backgrounds. Maintaining this financial assistance across income levels, in some form, might help ensure the political health of the state's grant programs. The state would want to consider these reasons and others in determining its priorities and in distributing assistance.

Increasing the awards for the neediest students--who represent approximately half of all TAG recipients--would lower TAG awards for the other recipients. Continuing to award these other students TAG awards would represent a commitment on the part of the state to assist them with the cost of their education, but not to subsidize the cost completely. Continuing to make available grants for these students would maintain the state's commitment to them and their families. At the same time, offering this assistance in the form of grants would offset their need to finance their education through loans. Demonstrating a commitment toward middle-income students and families and reducing student indebtedness are in the best interest of New Jersey in the long-term.

Consolidate and streamline the "merit-based" programs.

New Jersey's merit-based programs--Bloustein Distinguished, Urban, and Garden State--award grants of $1000 to several thousand students each year based on their academic ability in high school. Some of these awards are targeted to students from urban and economically distressed areas in the state. The awards were originally established to keep New Jersey's most

academically-gifted students in-state; yet, the lack of change in the percentage of students attending in-state institutions suggests that the awards have not significantly affected these students' decisions to attend college inside or outside the state. In 1960, 60 percent of New Jersey college students attended out-of-state institutions. By 1992, this percentage had decreased, but remained high at 44 percent. This figure placed the state fifth in the country in the percent of first-year college students enrolled in out-of-state institutions. Connecticut ranked second in the country with 52 percent, but other states such as Maryland (35 percent), New York (20 percent), and Pennsylvania (18 percent) ranked below New Jersey.[37] In 1995, that figure was still at 44 percent for the Garden State.[38]

Consolidate the three merit-based programs into one program. While the Bloustein Distinguished Scholars, the Garden State Scholars, and the Urban Scholars programs differ somewhat in their focus, they all reward students for their academic performance. Consolidating these three programs into one--without reducing the overall amount appropriated for the programs--would streamline the merit-based portion of the state grant system and simplify the administration of these programs. At the same time, the different foci of the three programs would be absorbed into the new single program. The Urban Scholars program recognizes students from urban and economically distressed areas, and this need would be taken into

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[37] "Interstate Migration of College Freshmen." *Postsecondary Education Opportunity*. Number 30, December 1994.

[38] *The Chronicle of Higher Education Almanac Issue*, 1995.

account in the awarding of the new merit-based grants. A portion of the grants would continue to be reserved for academically-gifted students from these areas.

Offer a smaller number of grants at higher levels. If the award levels were raised, these awards would become a more effective incentive for keeping New Jersey's best and brightest in the state. Since budgetary constraints prevent the significant addition of funds to these programs--without cutting funds for need-based aid--the number of awards would be reduced to compensate for the growth in award levels. Lowering the number of awards and raising their value would make them more selective and raise their prestige. At the same time, higher award levels would significantly influence the college decisions of New Jersey's academically gifted students.

To increase the individual award amounts and decrease the number of grants, the state could select one of two options. If the state selected the most dramatic change, OSA could establish award amounts at $5,000, thereby reducing the number of awards to close to 1,800--assuming no significant increase in the funding for these programs. Since reducing the number of awards eliminates a substantial number of students from the program, the state might choose a more moderate shift--doubling the value of awards to $2,000 and decreasing the number of recipients by half. If the aim of the merit-based programs includes offering a determining incentive for New Jersey's best students, the state should pursue the more dramatic choice.

Overall, consolidating and streamlining the focus and goals of these programs will determine which route the state will take. With a clear statement of goals and policy, the question of additional awards or higher award levels will be answered.

Create a bonus grant program for the neediest students as part of the TAG or EOF program.

In addition to rewarding academic achievement during high school with a merit scholarship, New Jersey also could reward and promote success during college. Beginning with its neediest students, the state could create a bonus grant program that awarded grants of $500--over and above their TAG awards and other aid, but not exceeding their cost of attendance--for students meeting established academic criteria each year. For example, the state could use a 3.0 GPA as the academic criteria, and all students receiving TAG awards that achieved a 3.0 GPA would receive a bonus grant. This program would promote the academic success of students receiving financial aid, offer incentives for students to improve their performance, and foster the state's investment in these students. Other states, such as Maryland and Massachusetts, are including this type of program in their state student aid systems.

Establish mechanisms for measuring and demonstrating the success of state student aid programs.

New Jersey's student aid system ranks at the top nationally. The state's commitment to student aid, especially in the form of grants, has increased at a faster rate than that of the federal government. To maintain and strengthen support from state legislators and the governor, leaders

of higher education in New Jersey must communicate the success of the student aid programs at every opportunity.

Organize a group of college and university officials and public citizens to promote higher education and student aid programs on a continual basis. Promoting the importance of higher education and the success of student aid programs only in years that the budget is uncertain or during the cycle of budget requests lowers the probability that legislators and the public truly absorb the message. Instead, constant promotion from an objective and knowledgeable group would inform both government and public officials of the importance of higher education and student aid to New Jersey. In addition, a continual flow of information about higher education might promote more long-term thinking and planning--rather than only from year-to-year or in times of crisis.

The higher education restructuring in New Jersey aimed to improve advocacy for higher education at the state level through the Commission on Higher Education. With the Commission coordinating statewide efforts and the Office of Student Assistance providing technical expertise, state higher education officials might work more with campus administrators and faculty to communicate vital statistics about the importance of higher education in New Jersey on a constant basis. Specific research projects to address legislative or public concerns about higher education and student aid, such as the economic effects on the state could be conducted. In addition, public service announcements on radio and television to further public knowledge and understanding of student aid programs might be utilized.

The Commission might join with members of the Presidents' Council, the EOF Board, and the SAB to accomplish these efforts. Including members of the public in this group--such as those already on these boards--would increase its acceptability to outside parties and remove the perceived bias of college officials from the process. Only through sustained efforts at communicating and promoting the importance of a college education and its accessibility will advocates ensure the budgetary stability of student aid and higher education in general.

Develop mechanisms for defining and measuring success in student aid programs. Research reveals the impact that state grant awards, notably TAG awards, have on reducing the cost of attending college for New Jersey's students. While this accomplishment certainly reflects an aspect of success for the programs, other measurements of success also might be utilized. For example, if the state wanted to promote graduation from college in addition to access as a measure of success, the graduation and degree completion rates of student aid recipients could be measured. Currently, this data is being collected to some degree at the state level, but has not yet been compiled. New Jersey should clarify its definition of success in its student aid programs and instill mechanisms that accurately measure this definition. The EOF program, for example, has recently placed more focus on graduation rates for its participants and recognized this information as one measure of success in this program. With clearly defined measures of success, the TAG and the EOF programs could report on their progress on a constant basis.

Improve the stability of student aid funding and delivery in New Jersey.

The present financial picture for higher education in New Jersey contains a significant amount of instability--mainly because of the difficulty of predicting the number of TAG recipients and the structural deficit in FY 1997. Implementing some changes now might improve the system's stability in the long-term.

The most apparent method for improving stability in funding and delivery would be to increase the accuracy of projecting the number of eligible TAG recipients and the subsequent cost of the TAG program. OSA uses all available means to establish the TAG table, including its best projection of the number of eligible TAG recipients. Instituting new deadlines for renewal students in the program represents one way that the office has improved its accuracy in projections. OSA also increased its data processing capability in order to speed up the processing of applications and thereby more accurately predict the number of TAG recipients. The SAB might also want to consider moving the deadlines for new students to an earlier date. Some students might lose eligibility for aid for that semester as a result--if they enroll later--but moving the deadline might better ensure the stability of the award levels for the majority of students that register and enroll early.

Another option would involve establishing a priority deadline and a final deadline. The SAB could reserve a portion of TAG funds for students that do not meet the priority deadline, but these students would run the risk of receiving reduced awards if funds were not available. With two deadlines, the SAB could approve a TAG table based on a more accurate prediction of

recipients--those meeting the priority deadline. The awards for students meeting the first deadline would not be jeopardized while students deciding to enroll at the last minute could still qualify for aid.

In addition, timely reporting by institutions with regard to unspent grant funds would increase the ability of OSA to predict its budgetary needs for the next fiscal year--namely the number of grants and the amount of funds needed by those institutions. When prior year refunds from institutions are added to the funds that are carried forward into the next budget year, the discrepancy between the amount originally appropriated and the amount spent in the program grows--increasing the uncertainty of the budget situation for student aid in FY 1997 and future years.

Continue to assess the purpose and need for a state supplemental loan program in New Jersey.

Borrowing for college has exploded in recent years at the national level, and it has also increased dramatically in New Jersey--through federal student loan programs. The NJCLASS program, however, has experienced declining participation in its last two years. Since its inception in 1991-92, annual borrowing in the program has declined from a high of $17.6 million to annual borrowing of about $11 million in 1994-95. As of October 31, 1995, the program has issued more than $75 million in loans, the majority of which have gone to dependent undergraduates, with annual family incomes averaging about $57,000. A significant percentage of the loans also go to parents with an average annual income of $61,000.

Despite this decline in participation levels, the program continues to serve the financial needs of middle-income students who have already exhausted their eligibility for the federal Stafford program--a qualification for NJCLASS. In addition, NJCLASS provides financial assistance to many students attending out-of-state institutions at little cost to the state. The state might explore ways to utilize bond authority in other programs to assist New Jersey students without jeopardizing funds for other programs.

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